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TREASURY FOR LTRAN, MMALLOY, AND USED OFFICE AT IDB

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SUBJECT: AMBASSADOR MEETS WITH TIERRA DEL FUEGO GOVERNOR

REF: A) BUENOS AIRES 568

¶1. (SBU) Summary: The Ambassador met April 29 with Tierra del Fuego Governor Fabiana Rios, Argentina's first elected female governor. Governor Rios was straightforward and cordial throughout the meeting, during which she explained her province's abysmal financial state. Rios solicited the Ambassador's advice on how to best approach the Inter-American Development Bank (IDB) to fund a study that would help Tierra del Fuego improve its provincial administration. The Ambassador informed Rios that the USS Farragut was headed to Ushuaia in mid-May (14-18) and would be donating supplies to the local hospital. End Summary.

A Province in Disarray -----

¶2. (SBU) Ambassador Wayne met with Governor Fabiana Rios and her economic advisor Ricardo Iglesias on April 29 in his office. Rios is the first elected female governor in Argentine history and the first from the opposition party ARI, member of the Civic Coalition (CC) (led at the national level by CC President Elisa Carrio, who finished second in the October 2007 presidential election). Rios detailed her province's dire financial straits, exacerbated (she claimed) by the mismanagement of the prior governor, Hugo Omar Cocco. She said that her biggest challenge is rebuilding institutions, which she said deteriorated significantly under Cocco.

¶3. (SBU) Rios said she has sought a constructive working relationship with the national government because of her province's financial dependence on the national government. Rios described the financial state of the province as "more than bad, it's terrible." Although the constitution obliges the national government to share revenues (or "co-participation" funds) with the provinces, the national government doles the funds out at its discretion. Rios said these funds account for 70% of her government's budget.

Fixing a Broken System -----

¶4. (SBU) Rios said that 110% of Tierra del Fuego's current budget goes to payroll. The provincial government lacks an inventory of human resources. Rios said they don't know who the employees are, where they work, what they do, or to whom they report. For example, Rios said that in a press section with 80 people only 4 are professionals -- the rest are "cleaning staff." She also said that the hospitals have 5 cleaning or administrative workers for every doctor. There were four school teachers for each available class room. Rios lamented that there was no "normal" solution to the province's financial troubles.

¶5. (SBU) Rios said she wanted to approach the Inter-American Development Bank (IDB) to finance a census of the provincial

government's financial and human resources, to be followed by a rationalization and downsizing of the provincial payroll. In anticipation of the downsizing, she hoped the IDB could develop a training program geared towards easing the pain of the inevitable layoffs by making these people more marketable for the private sector.

¶6. (SBU) Rios solicited the Ambassador's opinion on the best way to present the government's plan to the IDB. The Ambassador explained that the IDB has an overall program budget for Argentina and they look for good projects to invest in and that one of the areas they focus on is public administration. The Ambassador highlighted the IDB's program in Argentina as the biggest they have at present. He said the challenge was to present worthy, feasible proposals with a solid, sustainable plan. Rios said she had little experience with international organizations, but had started technical discussions with the IDB. Ambassador Wayne suggested inviting experts from the IDB to travel to Tierra del Fuego and observe the situation. Rios also asked for USG support of their contact with and application to the IDB. The Ambassador said the Embassy economic section could help establish contact with the local IDB office.

Not Affected by Ag Strikes

¶7. (U) Rios noted that Tierra del Fuego has not felt the effects of the agricultural strike in availability of food. She said that the province's economic system -- based on sheep, fish, and gas -- was different and too far away to feel the effect. Rios mentioned that 80% of the province's land was in the hands of only 100 people.

Gas Restrictions

¶8. (SBU) The Ambassador asked if the new gas law would give Tierra del Fuego more control over natural resources. Rios said that the law gives jurisdiction to the provinces but noted that strategic decisions are made at the national level, so the provinces don't have as much control. Her government is, however, preparing to have a bidding process for new areas for September. The Ambassador observed that it also has been difficult for companies operating in the region, such as Apache Oil, because of the Argentine government's limits on gas exports to Chile. The Ambassador told Rios that he had recently met with Planning Minister De Vido (reftel) to raise Apache's concerns about GOA interference shutting down its gas exports and about the limited ability to export north to Argentines. De Vido told the Ambassador that the bidding process for the second gas pipeline would begin in the next few months. The Ambassador mentioned that negotiations with Chile and Methanex were complicated, but the high price of gas agreed to recently apparently prevents the company from operating. Rios said she had heard a similar message from the Canadian Ambassador (Methanex is a Canadian company). Rios mentioned that she planned to meet with De Vido during her trip to Buenos Aires.

¶9. (U) Rios mentioned that she spent 15 days traveling to offshore platforms because she wasn't familiar with them. Ambassador noted that the subject of gas exports was constantly on Argentina's bilateral agenda with Chile. Rios said that if Methanex can't produce, there are upstream implications for Tierra del Fuego, and "we all lose."

Preserving Nature

¶10. (U) The Ambassador brought up the issue of nature preservation, mentioning that two or three years ago Goldman Sachs had donated land to the Chilean government to build a nature preserve. He mentioned the company had hoped to do the same in Argentina, but the effort was blocked by private interests. Rios said Tierra del Fuego was beautiful, but had a vulnerable ecosystem. She cited sustainable development

efforts that would preserve the natural lakes and thermal springs in the area. The Ambassador agreed that there were ways to have tourism and preserve nature.

Small Steps Forward

¶11. (U) Rios emphasized the importance of getting out the provincial government's message of honesty, transparency, and production. She said it was important to give clear signals that there was no corruption in the government, which had been a problem in her predecessor's administration. Rios cited specific measures her government had taken to improve things in the province. She mentioned increasing transparency as one of her primary goals. To that end, she has made public spending numbers available on her website. Rios acknowledged that these were small changes; but that they were important cultural changes nevertheless.

Activity in Ushuaia

¶12. (U) Ambassador Wayne told Rios that the USS Farragut will be in Tierra del Fuego's capital, Ushuaia, from May 14-18 for a ship visit and strengthening of ties between our armed forces. He informed Rios that the crew plans to donate medical supplies and hygiene supplies to the local hospital. The Ambassador also mentioned that the crew had offered to conduct a blood drive for the Regional Hospital in Ushuaia. Rios looked forward to the visit and said her health minister would be very pleased to hear about the ship's plans. The Ambassador said he had visited the Binational Center in Ushuaia for English language instructors and that the consular section has a good working relationship with local authorities. Rios said the mayor of Ushuaia, Federico Sciurano, was not of her party but described him nonetheless as young, hard-working, and reasonable.

Help with Housing

¶13. (U) Iglesias concluded the meeting by bringing up Tierra del Fuego's housing crisis and said that they were looking to develop a housing plan to attract investment. He was specifically interested in pre-fabricated housing providers in the U.S. who would be interested in supplying Tierra del Fuego. Iglesias also mentioned that constructing houses was particularly difficult in the winter in Tierra del Fuego. The Ambassador offered Embassy commercial section assistance in identifying U.S. purveyors of pre-fabricated housing as well as contacts at the World Bank in charge of housing assistance.

Comment

¶14. (SBU) Although Tierra del Fuego is remote and sparsely populated, Governor Rios gained a great deal of attention with her 2007 defeat of an entrenched incumbent backed by the Kirchners. She is the nation's first female provincial governor, and the only governor elected by opposition party ARI. With the Ambassador, she conveyed a sense of urgency in overcoming the challenge presented by the province's financial situation. Rios is inheriting a bloated state apparatus without inventories, adequate databases or other basic management tools. Her steps to increase transparency and her obvious energy to confront these problems, however, are a welcome step towards better provincial management in Tierra del Fuego. End comment.

Bio Note

¶15. (U) Rios was born in Rosario, Santa Fe Province, on March 31, 1964. She is married to Gustavo Longhi, a provincial councillor in Rio Grande who won re-election in ¶2007. The couple has two daughters; Maria Betania (17) and Victoria (14). Rios was previously a national deputy in

2003, and a provincial legislator from 199-2003. She also served as the Pharmaceutical coordinator in the Provincial Institute for Social Services in Tierra del Fuego (1997-1999); Coordinator of Pharmaceutical Allowances under the same institute (1996) and some other public health positions in the municipality of Rio Grande in Tierra del Fuego. Rios received her degree in pharmacy from the National University of Rosario and won a national award for her professional record in 2001.

WAYNE